

SHINING A LIGHT ON..... IP GLOBAL TARGETED RETURNS FUND

Update....

In an environment where bond investments are being challenged investors are seeking alternative options which offer similar volatility / risk. This fund is one of those options, in the last review we highlighted that this is not a bond fund but aims to target bond like volatility.

The fund was launched in 2013 and was developed by some of the team from the Standard Life Global Absolute Return Strategies Fund. The fund since launch has attracted over £6 billion of assets and has delivered strong performance. Additionally the team has grown to ten with two new additions and they have input from across the Invesco Group (more than 750 professionals worldwide).

In this update we focused mainly on current positioning. It is worth adding that these types of funds will not appeal to all investors as the strategies are complex and although they target a positive return nothing is guaranteed.

The primary aim of the fund is to invest in ideas. So for example they may feel that Emerging Market Equities will do better than US Equities over a three year period. Taking that idea they will then consider the best way to get exposure to that and at the same time control the volatility. The fund is a blend of ideas so no one idea dominates the fund. Some ideas will also 'protect' the fund should equity markets go down. So it is this diversification of ideas and means of getting exposure to these that drive the returns.

The fund is currently focusing on 23 ideas and has a spread of assets across currency, credit, equity, interest rates and volatility. Over the last quarter it was slightly positive but down over the six-month period. Its volatility remains below 40% of equities and it is on target to hit its target three-year return.

The fund has a split of assets which will move in line with equity market movements, those that are neutral and those that are not. The defensive side protected the fund in the last quarter with strategies including US Dollar Vs Euro and Japanese Yen Vs Korean Won helping the fund. On the other side the position of Emerging Market Vs US Equities was a negative contributor but even within this group some strategies which should have been negative performed well, this included an Asia Equity Vs US Equity strategy.

On new investments they added a stand-alone Australian Short Rates position but then wrapped it into another strategy Australian Vs European Interest Rates.

Some of the main themes they are focusing on include:

1. Low, but positive, global economic growth
2. Uncertain market impacts from changing liquidity
3. Low inflation continues globally
4. Select opportunities in risk assets
5. Higher levels of market volatility to persist

In conclusion the fund is 2 years old and continues to deliver on its stated aims. It may appeal to investors as an alternative to bonds in terms of growth and low volatility but the complex strategies may not appeal to all investors.

LWM Consultants Ltd

Fund performance

Performance since launch (December 2013) to 31 October 2015. Please see note below.

	2013	2014	2015	Since Launch
Invesco Global Targeted Returns Fund	-0.72%	14.94%	2.85%	17.36%
SLI Global Absolute Return Strategies Fund	0.90%	5.69%	3.69%	10.58%

Note this is based on the oldest asset class for the Invesco Fund which is a \$ share class (December 2013). The earliest sterling share class was launched on 23 July 2014. From this point in 2014 to the end of 2014 it returned 3.69% vs 13.20% on the US share class and 2.94% on the Standard Life Fund. In 2015 the sterling share class has returned 2.21%.

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

The source of information in this note has been provided by Invesco and is correct as at October 2015. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision.